



336.711

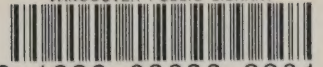
B8621




NORTHWEST HISTORY

Vancouver Public Library

VANCOUVER PUBLIC LIBRARY



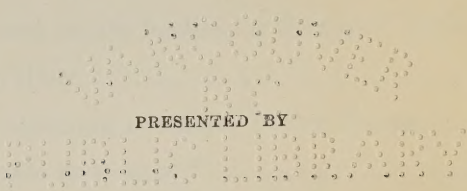
3 1383 02323 9901



Digitized by the Internet Archive
in 2024 with funding from
Vancouver Public Library

<https://archive.org/details/31383023239901>

BRITISH COLUMBIA'S CLAIM
FOR
READJUSTMENT OF TERMS
OF UNION



PRESENTED BY

HON. T. D. PATTULLO
PREMIER OF BRITISH COLUMBIA

HON. G. MCG. SLOAN, K.C.
ATTORNEY-GENERAL

HON. JOHN HART
MINISTER OF FINANCE

of

King's printer, Victoria

INDEX.

	PAGE.
1. Short review of historical events leading to Terms of Union, and the conditions prevailing at that time.....	1
2. Summary of previous attempts to secure Better Terms.....	8
3. No "final and unalterable settlement".....	13
4. The claims of British Columbia for Better Terms.....	16
5. Terms of Union.....	31

1800c35

MEMORANDUM RESPECTING CLAIMS OF BRITISH COLUMBIA FOR BETTER TERMS, 1934.

British Columbia submits that the Province is not enjoying equality of treatment in its relation to the Confederation of Canada. In support of its request for equality of treatment it has been claimed as follows:—

- (a.) That the Province has suffered, and is still suffering, from many disabilities incident to the topography of the country, the habitable area being largely restricted to the arable portions, which are more or less located in widely separated narrow valleys surrounded by precipitous mountains, and which as a consequence imposes heavier administration costs than the other Provinces of Canada—a condition which finds no parallel in other Provinces:
- (b.) That, in comparison with the other Provinces of Canada, equitable treatment has not been received in the matter of Federal subsidies, grants, and expenditures:
- (c.) That the entrance of the Federal Government into the field of direct taxation has worked a great hardship on the people of British Columbia:
- (d.) That on the return to the Province of the Railway Lands and the Peace River Block, no commission was appointed, as in the case of three other Provinces, to determine the measure of adjustment required to compensate this Province for being so long deprived of the benefits of its lands.

HISTORICAL.

In order to arrive at a fair understanding of the claims of British Columbia, it is necessary to review shortly the conditions in the Province prior to and at the time of its entering into Confederation in 1871, and the attitude of the Dominion Government at that time as evidenced by the speeches of its public men.

British Columbia was remote and isolated from the Confederacy of 1867 by Rupert's Land, a wilderness practically unknown, and broken only by the small settlement on Red River. This wilderness lay for a distance of twelve hundred miles between the Rocky Mountains and Ontario, without railways or roads; the only travelled ways being a series of waterways and approaches used by fur-trading brigades which occupied many months in reaching posts in British Columbia. Communication to the east was by sea, via San Francisco, and the United States railways, or by the Panamá. Telegraphic communication was also routed through the United States. It was from this telegraphic communication that the local newspaper, established in 1858, followed events in Eastern Canada leading to Confederation.

On August 16th, 1864, a month before the initial conference called to consider the question of Union, which took place at Charlottetown, and later at Quebec, the *British Colonist* called attention to the movement in Upper and Lower Canada for Confederation, "intended to embrace the whole of the North American Provinces so soon as arrangements can be made to that effect." The *British Colonist* added: "With the confederation of colonies from one ocean to the other, what limits can be placed on our material greatness, and what to our political aspirations?"

That the aim was from the beginning to include British Columbia in the Confederation is apparent from the resolutions of the Quebec Conference of October, 1864. Delegates from Upper and Lower Canada, Nova Scotia, New Brunswick, and Prince Edward Island passed seventy-two resolutions, afterwards to form the basis of Confederation. The tenth and sixty-ninth resolutions were:—

“The North-west Territory of British Columbia and Vancouver shall be admitted into the Union on such terms and conditions as the Parliament of the federated provinces shall deem equitable, and as shall receive the assent of Her Majesty; and in the case of the Province of British Columbia or Vancouver, as shall be agreed to by the Legislature of such Province.

“The communications with the North-western Territory, and the improvements required for the development of the trade of the Great West with the seaboard, are regarded by this Conference as subjects of the highest importance to the Federated Provinces, and shall be prosecuted at the earliest possible period that the state of the finances will permit.”

At this period the two colonies—i.e., Vancouver Island and British Columbia—were distinct entities; and at that time Vancouver Island was the dominating centre; the Island revenues in 1864 being estimated at about \$750,000, and the Mainland at \$150,000. The union of the two colonies in 1866 was contemporaneous with the sailing of delegates of the Eastern Provinces to London in November, to draft with the Imperial Government the agreement for Confederation incorporated in the “British North America Act” constituting the Dominion, which said Act was passed on March 29th, 1867.

On May 24th of that year Viscount Monck, first Governor-General, called John A. Macdonald to form the first Canadian Government.

As evidenced by the resolutions of the Quebec Conference in 1864, and the inclusion of section 146 in the “British North America Act,” it was the settled policy that British Columbia should join in the union of the Provinces. Nevertheless, it became the policy of Canada and the Imperial Government not to proceed toward the attainment of this object until such time as arrangements had been effected with the Hudson’s Bay Company leading to the transfer of Rupert’s Land to Canada.

The Duke of Buckingham, Secretary of the Colonies, in a dispatch to Viscount Monck, April 18th, 1868 (page 11 of the Papers of the Union of British Columbia with Canada), said:—

“However willing Her Majesty’s Government may be to promote that union, the practical consideration of the question must at all events await the time when the intervening territory now under the control of the Hudson’s Bay Company shall have been incorporated with the Confederation.”

An agreement with the Hudson’s Bay Company for the transfer of Rupert’s Land was effected in July of 1868. From then on it was apparent, from a review of Papers of the Union of British Columbia with the Dominion of Canada, that a section of the citizens of British Columbia were pressing for something to be done toward that union. But it was not until Governor Musgrave was appointed in 1869 to succeed Governor Seymour that real effort was made to effectuate the union. Earl Granville, Secretary for the Colonies, in a dispatch to Governor Musgrave, dated August 14th, 1869 (Papers of Union of British Columbia, page 30), stated he had been aware that the Imperial Government had previously declined to entertain this question mainly because it could not practically arise until the territory of the Hudson’s Bay Company had been annexed to the Dominion, but also that public opinion in British Columbia might have an opportunity to form and declare itself. The dispatch continues:—

“The question therefore presents itself whether a single colony should be excluded from the great body politic which was thus forming itself; on this question the Colony itself

does not appear to be unanimous, but, as far as I can judge from the dispatches which have reached me, I should conjecture that the prevailing opinion is in favour of union. I have no hesitation in stating that such is also the opinion of Her Majesty's Government. . . . They anticipate that the interest of other Provinces of British North America will be more advanced by enabling the wealth, credit, and intelligence as a whole to be brought to bear on every part than by encouraging it in the contracted policy of taking care of itself, possibly at the expense of its neighbour. Most especially as it is true in the case of internal transit, it is evident that the establishment of a British land communication between the Atlantic and the Pacific is far more feasible by the operations of a single government responsible for the progress of both shores of the Continent than by a bargain negotiated between separate—perhaps in some respects rival—governments and legislatures. Her Majesty's Government are aware that the distance between Ottawa and Victoria presents a real difficulty in the way of immediate union; but that difficulty will not be without its advantages if it renders easy communication indispensable and forces onward the operations which are to complete it."

Governor Musgrave was instructed to give publicity to the dispatch, and authorized, by a communication from Sir John Young, Governor-General, to take such steps as he could properly and constitutionally do to promote favourable consideration of the question.

It will be seen by the foregoing dispatch that the question of communication from the Atlantic to the Pacific seaboard was of great importance in the eyes of the Imperial authorities.

Sir John A. Macdonald, too, was a great stimulating factor. R. E. Gosnell, in "The Story of Confederation," page 95, says, when speaking of Sir John A. Macdonald:—

"He had inside knowledge of what might lead to annexation to the United States, and there was more danger in the situation than people imagined then or now. Again, at that very time a group of capitalists associated with the Northern Pacific had planned to extend that railway through Manitoba and through the Middle West and British Columbia to and into Alaska (purchased by the United States from Russia in 1867). Sir John realized the danger of such an enterprise in view of the long-dreamed-of Canadian trans-Atlantic railway, and he lost no time in the 'rounding-out of Confederation' in order to forestall any inroads from the United States. The best circumstantial proof of that is that when the delegates from British Columbia arrived at Ottawa, notwithstanding that a railway was considered by them as out of the question, and they had been authorized to ask simply for a wagon-road, much to their surprise they were met by a fully matured proposal for a railway. No wonder the people of British Columbia rejoiced at the unexpected boon to be conferred upon them."

Prior to the session of the Legislative Council in 1870, the first after his appointment, Governor Musgrave, who of course knew the mind of the authorities at Ottawa, framed Terms of Union and laid them before the Council.

These terms were passed by the Council, with a few slight changes, after a protracted debate.

These proposed Terms (*inter alia*) contained the following clauses:—

"1. Canada shall be liable for the Debts and Liabilities of British Columbia existing at the time of Union.

"2. The population of British Columbia shall for the purpose of financial arrangements be estimated at 120,000. British Columbia, not having incurred debts equal to those of other Provinces now constituting the Dominion, shall be entitled to receive, by half-yearly payments in advance, from the General Government, interest at the rate of 5 per cent. per annum on the difference between the actual amount of its indebtedness at the date of Union and the proportion of the Public Debt of Canada for 120,000 of the population of Canada at the time of Union.

"3. The following sums shall annually be paid by Canada to British Columbia, for the support of the Local Government and Legislature, to wit: An annual grant of \$35,000, and a further sum equal to 80 cents per head per annum of the population, both payable half-yearly, in advance, the population of British Columbia being estimated as aforesaid at 120,000. Such grant equal to 80 cents a head to be augmented in proportion to the increase of population, when such may be shown, until the population amounts to 400,000, at which rate such grant shall thereafter remain.

"4. The Dominion shall guarantee interest at the rate of 5 per cent. per annum on such sum, not exceeding £100,000, as may be required for the construction of a first-class Graving Dock at Esquimalt.

"8. Inasmuch as no real Union can subsist between this Colony and Canada without the speedy establishment of communication across the Rocky Mountains by Coach Road and Railway, the Dominion shall, within three years from the date of Union, construct and open for traffic such Coach Road from some point on the line of the Main Trunk Road of this Colony to Fort Garry, of similar character to the said Main Trunk Road; and shall further engage to use all means in her power to complete such Railway communication at the earliest practicable date, and that surveys to determine the proper line for such Railway shall be at once commenced; and that a sum of not less than One Million Dollars shall be expended in every year, from and after three years from the date of Union, in actually constructing the initial sections of such Railway from the Seaboard of British Columbia, to connect with the Railway system of Canada.

"9. The Dominion shall erect and maintain at Victoria, a Marine Hospital and a Lunatic Asylum, either attached to the Hospital or separate, as may be considered most convenient.

"The Dominion shall also erect and maintain a Penitentiary, or other Principal Prison, at such place in the Colony as she may consider most suitable for that purpose."

The actual population of British Columbia at that time consisted of 10,586, made up of 9,038 whites and 1,538 Chinese. The number of Indians was estimated from 25,000 to 30,000, giving an approximate total population of 40,000 people. Approximately 56 per cent. of this population was on Vancouver Island, chiefly at Victoria, where the preponderating influence obtained control of public opinion of the whole Colony to a large extent. The dominating influence of Vancouver Island is apparent in the proposed terms. Although it was known that the Dominion policy was to construct a line to the foot of the Rockies, to develop its recently-acquired North-west Territories, British Columbians considered at that time the difficulties of that plan and the extension thereof very great, and their proposals with respect to land transport were primarily for a wagon-road, to be followed later, if possible, by a railway. Their main worry apparently was to secure those terms which meant the most, at the moment, to Vancouver Island.

A delegation left by way of San Francisco on May 10th, 1870, to arrange terms at Ottawa. When the delegates from British Columbia were met at Ottawa with the proposal in pursuance of the railway policy of the Dominion to amend the proposed terms to provide for construction of a railway to start in two years and be completed in ten years, and a request to convey a 40-mile belt of land along its route, they readily acquiesced. There was little settlement in the areas affected; in fact, the region was little known to the people of Vancouver Island. The delegates included two from the Island and one from Cariboo. The grant of the land

sought did not loom as large in importance as it would have done in later years. Consequently the conveyance of the lands (in trust) was agreed to without demur. And it was assumed by the delegates that, as an agreement was being made by the Dominion and the Ontario Government for the conveyance of lands, there would be no discrimination against British Columbia, in that the land appropriation for further construction of the railway would be equally distributed along its course from Lake Nipissing to the Pacific.

The authorities of the Dominion would not accept British Columbia's population of 120,000 as a basis of debt and *per capita* adjustment, and reduced this figure arbitrarily to 60,000. This important and far-reaching aspect of the matter will be dealt with at length in a later part of this memorandum.

In Ottawa during the debate on the Terms of Union it is very evident that considerable opposition to the terms arose; and it was contended that the Province was, as Edward Blake, Anglin, and others said, "a sea of mountains," and likely for ever to be a drag and burden on the Dominion; it was paying too high a price to secure "the rounding-out of Confederation." Little was known of the North-west, and it was referred to as a "sterile country," "part of the Great American Desert," "a wilderness with a narrow fertile valley," etc. The opponents of the railway sought to convey the false impression that its construction was forced on the Dominion by British Columbia. Mackenzie referred to it as a mad bargain which would bankrupt the country; and various speakers held that the railway would not "pay for grease for its axles." Edward Blake, at North York, said he doubted if the British Columbia section could be kept open after it was built, and he was confident a bushel of wheat would never be carried from Saskatchewan by rail, as it would not pay to haul it. The *Monetary Times*, leading financial paper of Eastern Canada, was dismayed at the undertaking, and considered building it to Vancouver Island "additional evidence of the insanity of the scheme." Even as late as 1881 the *London Truth* said it would as readily credit allowance to subscribe cash to support a scheme of utilization of icebergs; that the railway would run through a country frost-bound for seven or eight months, and connect Eastern Canada with British Columbia, "a Province which embraced about as forbidding a country as any on the face of the earth, . . . a barren, cold, mountainous country not worth keeping." Various other quotations could be made; *Hansard* is replete with them, indicating that the impression prevailed, notwithstanding denial, that the railway was forced on the Dominion by British Columbia, and only by insisting on those onerous terms with British Columbia did the Government expect to secure ratification of union by Parliament. As a matter of fact, the railway was not forced on the Dominion by British Columbia; and, as evidenced by the statements of the Hon. L. S. Tilley and others, this was shown to be a fallacious impression, as it had already been determined previous to the union of British Columbia to build a railway to assist the North-west, but primarily to establish a line of communication for the transport of commerce from Great Britain to China and the Far East. As early as 1856 the British Government had instructed Captain Blaikston to seek a railway pass through the Rocky Mountains.

It is interesting to note that on September 4th, 1858, the Executive Council of Canada passed a Minute drawing attention of the Colonial Secretary to the importance of opening a direct line of communication by railway or otherwise from Canada through the North-west to Fraser's River and Vancouver Island.

From the foregoing summary of the conditions in British Columbia and of the prevailing attitude of leading men in Eastern Canada, it can be seen that the

delegates from British Columbia, who were apparently more concerned over a graving-dock at Esquimalt and a marine hospital at Victoria, did in consequence agree to terms which were certainly not just or equitable to British Columbia, as the succeeding years have disclosed.

Difficulties arose about the construction of the railway, and the Terms of Union in regard thereof were not carried out by the Dominion Government. In 1883 the Dominion forced a bargain with British Columbia under what might practically be considered duress, whereby the Province agreed to convey the Peace River Block of 3,500,000 acres in lieu of certain deficiencies in the Railway Belt previously conveyed. By section 11 of the Terms of Union the Province was obligated to make good the area alienated within the Railway Belt by pre-emption or Crown grant, and the Dominion contended (although there was no arrangement which covered this) that the Province should make good also such lands within the Railway Belt as were found valueless for agriculture or other economic purposes; also a deficiency due to the United States boundary being less than 20 miles distant from the Lower Fraser Valley, and other alienations due to timber limits, and matters of that kind. British Columbia agreed to convey to the Dominion the Peace River Block of 3,500,000 acres as "lieu lands." On April 3rd, 1871 (page 797 of the Parliamentary Debates) the Hon. Mr. Miller stated in the Senate: "A railway across the Continent on British soil was as much an Imperial as a Dominion necessity. There was no doubt that England so regarded it. The leading minds of the Empire had unmistakably given their opinion on the high national character of the work." The railway was in effect the North-west Passage translated from "sea" to "steam."

It might be pointed out that when the Peace River Block was conveyed on the ground that it was required to make good such lands as were considered valueless within the Railway Belt, no deduction was made from the area situated within the Railway Belt of the alleged worthless lands, and the Dominion retained both the land conveyed in substitution and the land for which substitution was made, to the extent of over 3,500,000 acres. These lands were of course transferred back to the Province in 1930; but no compensation was ever made for the large amount of moneys expended thereon by the Provincial Government in administrative and other costs, although the Dominion authorities reaped substantial advantage therefrom.

As a part of the settlement at that time of the differences between Canada and British Columbia over the non-fulfilment of the Terms of Union by Canada the Dominion agreed to pay \$750,000 to construct the Esquimalt & Nanaimo Railway—a project which had been understood as part of the original pact on behalf of the Dominion—and agreed to take over and complete the Esquimalt Dry Dock. These terms were embodied in the Act of Settlement of 1884 (cap. 14, S.B.C., 1884), which Act really completed the agreement under which British Columbia shares in the Union.

FISCAL POLICY.

It now becomes essential to consider in somewhat more detailed manner the financial arrangements entered into at the time of Union. As hereinbefore pointed out, in part the terms proposed by the British Columbia delegation contained the following clauses:—

"(a.) Canada shall be liable for the debt and liabilities of British Columbia existing at the time of Union:

"(b.) The population of British Columbia shall for the purpose of financial arrangements be estimated at 120,000; British Columbia, not having incurred debts equal to those of the other Provinces now constituting the Dominion, shall be entitled to receive by half-yearly payments, in advance, from the General Government, interest at the

rate of 5 per cent. per annum on the difference between the actual amount of its indebtedness at the date of Union and the proportion of the public debt of Canada for 120,000 of the population of Canada at the time of Union:

“(c.) The following sums shall be annually paid by Canada to British Columbia for the support of the Local Government and Legislature, to wit: An annual grant of \$35,000, and a further sum equal to 80 cents per head of the population, both payable half-yearly in advance, the population of British Columbia being estimated as aforesaid at 120,000.”

The Dominion authorities accepted clause (a). Clauses (b) and (c) were rejected; the population, both for estimating the debt, clause (b), and the *per capita* allowance, clause (c), were reduced to read 60,000; and therein lies an injustice perpetrated upon this Province, as subsequent events elucidate. The reason for assuming the population at 120,000, approximately three times the actual number, was that on the *per capita* basis the customs and excise revenue which was being surrendered to the Dominion amounted to \$8.25 in British Columbia, as against a *per capita* of only \$2.75 accruing to the Dominion from similar sources over the whole of Canada. And as the census requirement *per capita* from this source is thus demonstrated to be three times the normal for the whole of Canada, it naturally followed that in order to maintain the same ratio it was necessary that the subsidy which was to replace this revenue be calculated on a population three times the actual number. In other words, the British Columbia customs, being \$330,000, was equal to \$2.75 per head on a population of 120,000 in comparison with Canada.

The receipts from customs and excise were a very important factor of the Provincial revenue, as the figures for the two years immediately preceding Confederation will show:—

	Customs Revenue.	Total Revenue.	Percentage of Revenue.	Per Capita.
1869.....	\$344,577.34	\$530,474.20	\$65.00	\$8.61
1870.....	314,028.18	494,351.32	63.50	7.85
The two years' average.....	\$329,302.00	\$512,412.00	\$64.25	\$8.23

As the total subsidy based upon a population of 60,000 amounted to only \$114,000, it will be seen that there was a discrepancy of over \$200,000, to say nothing of any provision for the development of projects urgently required.

It is quite clear that the principle governing the fiscal policy of Confederation was that in lieu of the surrender of customs, excise, and other large sources of revenue to the Dominion, the Provinces should receive a return “ample to provide for administration of justice, support of education, grants to literary and scientific societies, and such other matters as cannot be regarded as devolving upon the central government without recourse to direct taxation.”

Sir Wilfrid Laurier, on moving the Provincial subsidy increases when the amendments were made to the “British North America Act” for this purpose in 1907, referred to this matter in the following language:—

“Lower Canada would not have entered confederation if as a consequence she had been obliged to resort to direct taxation to levy the revenues necessary to carry on her domestic affairs. What was true of Lower Canada was equally true of the Maritime Provinces; Nova Scotia, New Brunswick, and Prince Edward Island would not have agreed to enter into confederation if as a consequence direct taxation would have to be resorted to . . . ever since the British Provinces of North America have been granted representative government, the only mode so far as my information goes, through which they carry on their

domestic affairs, municipal governments and their legislatures, has been by means of customs and excise duties; therefore it is not to be wondered at that when the Provinces represented at that conference agreed to surrender to the central government the exclusive right of taxation in way of customs and excise they should at the same time have stipulated as a condition precedent that a certain portion of the revenue that is collected should be returned to them, and a portion sufficient to permit them without having recourse to direct taxation to carry on their provincial affairs. This is the reason of the enactment which we have before us in the sixty-fourth resolution of the Quebec Conference. It was one of the many promises which had to be made in order to render confederation possible, and without which possibly confederation would have remained a dream."

The sixty-fourth resolution of the Quebec Conference reads as follows:—

"In consideration of the transfer to the general parliament of the powers of taxation, an annual grant in aid of each Province shall be made, equal to 80 cents per head of population as shown by the census of 1861; the population of Newfoundland being estimated at 130,000; such aid shall be in full settlement of all future demands upon the general government for local purposes, and shall be paid half-yearly in advance to each Province."

The Hon. Mr. MacPherson, in the Senate on April 3rd, 1871, page 810, stated:—

"The Dominion agrees to pay an annual subsidy of \$35,000, as in the case of the other Provinces; also 80 cents per head, equivalent to \$48,000. These sums amount to only \$83,000, which is evidently altogether inadequate to meet the local needs of the colony. Therefore it was found necessary to supplement that amount by \$100,000—no very extravagant sum, certainly. If, instead of \$35,000, it had been shown that British Columbia required \$135,000 to maintain her provincial services and make such local improvements as she would require, this country could not have objected to give it, and that, too, without receiving any equivalent in the shape of land. Instead of that, however, the Government of the Dominion has stipulated that a strip of land 40 miles wide should be given along the route of the proposed railway in British Columbia."

EARLY EFFORTS TO SECURE BETTER TERMS.

In 1887 an interprovincial conference considered readjustment of subsidies and other matters, in which British Columbia did not take part. A resolution was passed setting out that whereas payments to the Provinces in 1867 represented 20 per cent. of customs and excise revenues (the percentage in 1887 was 13 per cent.), revenues had greatly increased. It also cited the provincial expenditures opposed to revenues left to the Province to raise a sum which they were unable to provide for by direct taxation or otherwise, for additional expenditures required, and were obliged to ask for increased subsidies.

In 1901 British Columbia, under the Dunsmuir Government, began its efforts, which have since been continued, to secure better terms. Claims were made for separate and distinct relief due to the insufficiency of revenues arising out of causes constant in operation and peculiar to the Province of British Columbia—causes which rendered it impossible to provide for the responsibilities of local administration imposed on the Province under the Terms of Union, without creating intolerable burdens of taxation, or exhausting the resources of provincial credit. The case of British Columbia was in process of evolution at that time, and the physical aspect of the argument was not emphasized as much as latterly. The representations of 1901 dealt largely with disparities between contributions by British Columbia to the Dominion and expenditures of the Dominion on account of British Columbia. The memorandum pointed out that the Province had contributed to that date \$42,475,349 in revenues to the Dominion, as against expenditures on behalf of the Dominion of \$28,968,091, contributions which work out at a ratio of three to one compared to the rest of Canada. No action was taken by the Dominion at that time.

In 1902 an Interprovincial Conference was held in Quebec, to which the Premier of British Columbia was invited, but could not attend. A statement, however, outlining the claims submitted in 1901 was forwarded to the Chairman of that Conference. In this statement it was pointed out that this Province of course assented to the proposed resolutions for an increased subsidy for all the Provinces, but contended that special consideration was due to British Columbia in addition to the proposals advanced by the remaining Provinces. This Conference submitted that increasing costs of administration and development occasioned new expenditures impossible to control and impossible to meet by taxation, necessitating increased aid from the Dominion. And it was pointed out that the revenue to the Federal Government had increased from \$13,867,938 in 1868 to \$51,029,994 in 1900, a large proportion of which increase was obtained from customs and excise duties paid into the Dominion Treasury in consequence of the surrender of these revenues by the Provinces. The Hon. Mr. Parent, of Quebec, stated that in the majority of the Provinces it had become impossible by taxation to cover the increased subsidies, and it appeared that the only method of meeting public requirements was by additional aid from the Dominion. The Hon. G. W. Ross, Premier of Ontario, said:—

“It is true that there is no compact that the subsidy should increase according to the revenues of the central government, though such a basis would be eminently fair, inasmuch as the moneys (customs and excise) from which the subsidy is paid by way of refund for maintenance of local government is collected from the people of the Provinces, and indeed in some respects such a basis for the payment of subsidies would be fairer than payment on the basis of population, as being a refund in proportion to the amount collected. The present basis ignores the fact that while the increase of population lightens the burdens of the Dominion, inasmuch as it multiplies the contributions of the revenue from the customs and excise, the increase of population adds to the burdens of the Provinces without any corresponding contribution towards their maintenance. For instance, the Provinces through the central government are taxed for maintaining the Department of Immigration; this Department justifies its existence by increasing population from foreign parts, and the Government is recouped with its expenditure to the Customs and Excise Departments. The Province that has, however, to provide for the education of these immigrants, for the administration of justice so far as they are concerned, and for the maintenance of their indigent or insane, has no means of recouping itself because of this increased expenditure imposed upon it through the Dominion, except at its own expense. Surely this circumstance must have been overlooked or the subsidies would not have been rigidly based on a fixed population as has been the case.”

The Hon. Mr. Ross went on to point out that the very expenditure made by the Dominion by building railways, canals, etc., though it increases the population of Canada, and the revenue of the Dominion:—

“the Provinces, so far as their administration and their responsibilities devolving upon them by the Act, receive no benefit whatever, but rather lose from this increase, as charges by the Dominion Government which the people of the Provinces have to meet in order to carry on these large undertakings increase the difficulties of the Provincial Governments in meeting the charges which this increased population imposed upon them under the Constitution. The Provinces are in this way subjected to a double charge: (1) To find the means through increased customs and excise charges for public works undertaken by the Dominion; and (2) to provide for the maintenance of the population which naturally follows in their wake.”

The Conference took no action in respect to the statement of the Premier of British Columbia.

In January, 1903, a delegation from British Columbia conferred with delegates from other Provinces at Ottawa on financial matters, and with a view in particular of laying before the Dominion claims of British Columbia for increased subsidies apart from any general settlement made in behalf of all the Provinces. This

delegation dwelt more particularly upon the adverse physical conditions pertaining in British Columbia which tended to materially increase the cost of local administration as compared with conditions in other Provinces; and figures were given to support the contention, to cover the whole period since Confederation, proving that the elements of disparity caused by the mountainous nature of the country were consistent throughout. The precedent of recognition of Nova Scotia's claims for better terms in 1869, on similar grounds, was quoted. And the memorandum pointed out that as a result of the Union between British Columbia and the Dominion there had been established a moral right and a sound constitutional claim on the part of the Province for increased recognition, due to a state of affairs that was not anticipated by either party to the Federal compact. Although the memorandum went on to set out that the people of British Columbia did, from a local knowledge of their own Province, appreciate the necessity for a much larger provision for the financial requirements of the Province than was conceded by the Dominion at the time of Union, no proposal was made by the Dominion to this delegation as to the nature of a settlement that might be arrived at.

Later, in 1903, another delegation was sent to Ottawa from British Columbia, when the case was but briefly outlined, and no new arguments put forward. A definite proposal, however, was submitted to Sir Wilfrid Laurier to settle the matter by commission; but the Dominion authorities refused to agree to this course.

In 1904, Mr. George H. Cowan, of Vancouver, prepared a memorandum on British Columbia's claim for better terms, and submitted it to Mr. Borden through the Hon. Sir Charles Hibbert Tupper, K.C. Mr. Borden, the then Leader of the Conservative Party, telegraphed Sir Charles Hibbert Tupper on the 10th of October, 1904, as follows:—

"Let me say that I have given much thought to the conditions in British Columbia which in your opinion call for special attention in considering the financial relations between the Dominion and your Province. You claim not only that these conditions are exceptional and peculiar to the situation and physical character of your Province, but also that they are permanent in their nature. In my opinion they are such as to demand immediate inquiry and investigation to the end that any injustices clearly established may be immediately relieved."

Mr. Borden was not returned to power, however, and this promise was not implemented.

On the 10th of September, 1906, Sir Wilfrid Laurier, then Premier, at the request of the Provincial Government, convened an Interprovincial Conference at Ottawa, which was held in October of that year; all nine Provinces being represented. This Conference resolved that the subject-matter of the resolutions of the Quebec Conference of 1902 be pressed upon the Government of the Dominion for immediate and favourable action.

Sir Richard McBride presented a memorandum detailing the claims of British Columbia, and submitted that the Province did not receive as favourable terms on entering Confederation as subsequent events showed it was entitled to have obtained; that British Columbia had contributed, and would continue to contribute *per capita* considerably in excess of the average of the rest to the Dominion and received in return an insufficient amount to enable proper administration of local affairs; and that owing to physical conditions not existing at all, or not by any means to the same degree in other Provinces, the average cost of administration *per capita* for thirty years was shown to be five times that of other Provinces; and British Columbia was entitled to relief by increased allowances over and above those provided to other Provinces. Proposals submitted by British

Columbia respecting Federal contributions were rejected by the Conference, which recommended as a recognition of exceptional circumstances in British Columbia a special grant of \$100,000 a year for ten years. The British Columbia Premier refused this as inadequate and illogical, in that it was but a temporary relief for a permanent condition. He contended that the Terms of Union formed a private treaty between the Province and the Dominion, and did not recognize the right of the Conference to interfere in a matter which was between the Dominion and the Province alone. Failing to receive support, he withdrew from the Conference. The proposals made by the Conference were accepted by the Dominion, regardless of the fact that British Columbia was not an assenting party to them. And on April 26th, 1907, they were embodied in an Address from Parliament to His Majesty the King in Council. On August 9th, 1906, the Imperial Parliament passed the "North America Act, 1907" (7 Edward VII., ch. 11), which took effect as and from 1st July, 1907, and gave legal sanction to the changes requested by Canada. These changes were largely matters of increasing the annual subsidies payable to the Provinces, and British Columbia was allowed an additional grant of \$100,000 a year for ten years. But, as it was pointed out by Sir Richard McBride at the time, this could only be a temporary measure to relieve a permanent condition.

In 1908 the British Columbia Legislature passed a resolution declaring the temporary grant of \$100,000 a year for ten years inadequate, and requested the Dominion to appoint an independent tribunal to consider British Columbia's claims. Sir Robert Borden in 1909 promised, if his party was elected, to appoint a commission. On his taking office in 1911, and being requested to fulfil that promise, he sent a telegram to the Prime Minister of the Province on the 22nd day of January, 1912, to the following effect:—

"Replying to your memorandum of the 6th of November, 1911, respecting the claims of British Columbia for exceptional treatment by reason of permanent physical conditions and otherwise, we are prepared to appoint a commission to investigate the merits of claims of your Province in this regard, one commissioner to be appointed by this Government, one by your Government, and the other to be selected by agreement of the two commissioners; failing such agreement, by the Secretary of State for the Colonies."

And by Order in Council (P.C. 260), after reciting the telegram, it was pointed out:—

"The Prime Minister further observes that, after discussion with the Prime Minister of British Columbia, the conclusion has been reached that it is desirable to appoint the proposed commission without further delay."

And adds:—

"The Prime Minister further recommends that the said commissioners be appointed under the provisions of the first part of the 'Inquiries Act,' R.S. 1906, cap. 104, for the purpose of inquiry and report into and upon the claims of British Columbia for exceptional treatment by reason of permanent physical conditions and otherwise, as such claims are set forth in a memorandum hereto attached, which was submitted by the Government of British Columbia on the 10th day of October, 1906."

Attached to P.C. 260 will be found the memorandum *re* British Columbia's claims for special consideration as submitted by the Premier of the Province under date of October 9th, 1906.

Pursuant to this Order in Council, British Columbia appointed E. V. Bodwell, K.C.; the Dominion, Z. M. Lash, K.C.; but the war intervened before the other member was appointed, and the matter was allowed to lapse.

In October of 1913 a further Interprovincial Conference was held, and a resolution was passed which recited that receipts from customs and excise had increased,

and amounts received by the Provinces in lieu decreased—the percentage returned in 1867 being 19.3 per cent., and in 1913 7.60 per cent.—and asked that an additional subsidy over and above present subsidies be paid, equal to 10 per cent. of the collections from customs and excise, of which a sum equalling half the cost now payable to the Government and Legislature be paid to each Province, and the balance paid to the Provinces on a *per capita* basis.

Subsequent to this Conference steps were under way on the part of the Dominion for the consideration and readjustment of allowances to the Provinces, when the war intervened and the Dominion took no further action.

In 1914 the Province again submitted a memorandum to the Dominion, again reiterating its demands for a better and more equitable treatment from the Dominion in respect (*inter alia*) to subsidies, but this memorandum did not succeed in effectuating its purpose.

Again, in 1927, a comprehensive brief was submitted containing British Columbia's claim for readjustment of the Terms of Union. This memorandum contains detailed statistical information, and very fully sets out the claims and submissions of this Province. This submission did then succeed in at least convincing the Federal authority that British Columbia's claim for the return of their railway lands and Peace River Block should be considered by an impartial tribunal.

Pursuant to a Minute of the Committee of the Privy Council (P.C. 422), the Hon. W. M. Martin, a Judge of the Court of Appeal of Saskatchewan, was appointed a Commissioner to receive and inquire into the arguments of the Government of the Province of British Columbia in support of its claim for the reconveyance to the Province by the Dominion of the land conveyed by the Province to the Dominion pursuant to paragraph 11 of the Terms of Union. Sessions of this Commission were held in the City of Victoria in June of 1927; and after a full and comprehensive submission of the case, both on behalf of the Province and Dominion, the Hon. Mr. Justice Martin made a report on the subject-matter to the Dominion. At page 33 thereof he states as follows:—

“In conclusion, I desire to refer briefly to the opinions that were held at the time of the Union as to the burden which, it was thought, would be imposed upon the country by the construction of the railway, and also to the fact that the passing of years has shown that the fears entertained were not well founded. . . . A large section of the people and many of the public men of the day were of the opinion that the railway was for the especial and exclusive benefit of British Columbia; that the cost was entirely beyond the financial ability of the Dominion; that the railway was to be constructed through a country that was almost wholly a wilderness, and that its operation would involve a great annual loss; that British Columbia, owing to sparsity of population and rugged exterior, would not pay its way in Confederation, and would remain a perpetual charge upon the rest of Canada. Some, however, feared the absorption of Western Canada by the United States; Sir John A. Macdonald himself appears to have been fearful of this event, and he favoured the entry of British Columbia into the Dominion and the building of the railway, being confident that by making use of large land subsidies, aided by small subsidies in cash, the railway could be constructed without materially adding to the burdens of Canada.

“While some took the larger view of the railway—namely, that it was in the national interests, and that, apart from the Confederation of British Columbia altogether, it would very probably be necessary in the interest of the development of the North-west to construct a railway from the Great Lakes to the foot of the Rocky Mountains—the prevailing opinion was that it was the price of British Columbia entering Confederation, and that the price was too great and would be ruinous to Canada. This being the general opinion, the contribution of lands by the Province weighed very heavily in inducing many to support the agreement with the Province—the argument being that the lands given would go very far to assist in defraying the necessary expenditure.

“When viewed in the light of subsequent events, the many predictions for the failure of the enterprise, and the fears of financial disaster, were entirely unwarranted. The

success of the Canadian Pacific Railway, almost from the beginning, has been phenomenal, and its influence upon the development of the whole country has surpassed even the most sanguine expectations of those who had confidence in the enterprise. It rendered possible the opening-up and the development of the great North-west, the most productive wheat-producing area in the world, into which hundreds of thousands of immigrants have gone, cultivated the lands, produced wealth, and created a market for the manufactured products of other portions of Canada. The railway was for many years the one connecting link between east and west, and was during that time the greatest unifying factor in the country. While it has undoubtedly benefited British Columbia, aiding in its development and furnishing an outlet for its products, it has, as a great national undertaking, benefited the whole country to a much greater extent. Notwithstanding the national character of the undertaking, British Columbia has borne the burden of contributing large areas of her public lands to aid in its construction—largely on account of the predicted failure and burdens to be created—and to-day is the only Province of Canada which granted lands towards the building of the railway, national in its character. The Intercolonial Railway was provided for in the Confederation pact; it was a part of the price paid by Canada for the entry of the Maritime Provinces into the Dominion, and no doubt the Province by the sea, as well as other portions of Canada, profited by its construction. The Maritime Provinces, however, contributed no lands to aid in building it; they have, it is true, contributed their share of the cost to Canada of the building of the road and of the deficits which were encountered in its operation, in the same way as the people of British Columbia have contributed their share as citizens of Canada of the moneys expended in building the Canadian Pacific. The situation is one which, in my opinion, calls for a remedy, and the remedy should be the restoration of the lands held by the Dominion in both the Railway Belt and the Peace River Block. When this is done, British Columbia will be placed in a position of equality with the other Provinces in respect of the cost of the construction of the Canadian Pacific Railway.”

It will thus be seen from the foregoing summary of the previous efforts made to secure readjustment of the Terms of Union between this Province and the Dominion, and the recognition thereof, that British Columbia and its various governments have consistently maintained their position with respect thereto. This issue, it is submitted, will never be at rest until such time as the Dominion authority agrees either to grant the request of the Province or to appoint an impartial tribunal to investigate the merits thereof.

NO “FINAL AND UNALTERABLE SETTLEMENT.”

In earlier years, when claims were made on the Dominion for better terms by the Provinces to enable them to govern adequately, the Ottawa Government took the ground that the agreement made at Confederation with reference to the *per capita* grant was “in full settlement of all future demands upon the general Government for local purposes”—quoting the language of the sixty-fourth resolution of the Quebec Conference. In view of the various adjustments made, beginning with better terms made for Nova Scotia, before British Columbia joined the Union; and in view of the amendment to the “British North America Act” of 1907 increasing the allowances to all the Provinces, and changing the basis of the *per capita* allowances at least with respect to the Prairie Provinces, wherein it is now payable on a population as shown by a quinquennial census, though the basis of decennial increase remains in vogue with respect to the Province of British Columbia; and also in view of the principles laid down by Sir Wilfrid Laurier, the Hon. W. S. Fielding, Sir Robert Borden, and members of the British Parliament, and others, that there can be no finality in subsidy claims; and in view of the fact that from time to time the relationship of the Provinces in respect to the return of their lands, and such matters, have been dealt with; and in view of the action of the Borden Government in 1912 in directing an inquiry into the claims of British Columbia, the Dominion, it is submitted, is now estopped from offering as a cogent argument the plea of finality. In any event, it is submitted that sound policy would dictate that any

Province which by reason of changing conditions finds itself at disadvantage in relation to the other Provinces should be given opportunity to present its grievances.

It will be remembered in 1904 Sir Robert Borden, in his telegram to Sir Charles Hibbert Tupper, quoted above, took the position that if British Columbia could establish a case, her claims would be recognized.

Sir Wilfrid Laurier, in moving the address for revision of the "British North America Act" in 1907 (*Hansard*, 1907, pages 5393-5395), recited the plan of subsidies enacted at Confederation, and various subsequent demands for increases thereof. He said:—

"The only guarantee we have is the security of the Imperial Parliament. It will always be difficult for us to go to England and get an amendment to our Constitution. Forty years have now elapsed since our constitutional charter was amended. It is true that we have been doing like the Romans, although they had the laws of the Twelve Tables which could not be altered, still managed to contravene that law by enacting other laws. We may do the same thing. But the only guarantee we have is this: that my honourable friend representing one party, and myself representing the other party, will agree that this is to be final. Parliament will not define its own intentions, and Parliament can always do as it pleases. And the honourable gentleman knows that there is no other finality in all these matters but the will of the people, the will of Parliament itself."

The Hon. W. S. Fielding, the Finance Minister, stated:—

"Nothing could be done which would prevent a further grant being made by the Dominion to the Provinces."

Following the debate in the House in 1907, the Ottawa Government then addressed the memorial to His Majesty the King, representing that it was expedient to amend the scale of payments authorized under section 118 of the "British North America Act"; and the memorial went on to say:—

"We pray that Your Majesty may be graciously pleased to cause a measure to be placed before the Imperial Parliament at its present session, repealing the provisions of section 118 of the 'British North America Act, 1867,' aforesaid, and substituting therefor the scale of payments above set forth, which shall be a final and unalterable settlement of the amounts to be paid yearly to the several Provinces of the Dominion for their local purposes and the support of their governments and legislatures." (7 Edward VII., ch. 11.)

Sir Richard McBride, as has been previously stated in this memorandum, was entirely dissatisfied with the settlement proposed by the Ottawa Government, and considered that the grant of \$100,000 for ten years was entirely inadequate; and in order to keep this question open he went to England and stated his case to the Imperial authorities, objecting to any amendment to the "British North America Act" which would in effect render the settlement a "final and unalterable" one. Imperial authorities agreed with his contention. And when the British North America Bill, the effect of which was to amend the "British North America Act" in accordance with the memorial forwarded by the Dominion Government, was brought before the House on second reading, Mr. Forster, member for Kent, stated:—

"He understood that the early drafts of the Bill contained a provision that the arrangements laid down in it were to be final and unalterable. And when British Columbia protested against words of that kind, how could it be laid down that an Act of that House with reference to the Dominion of Canada should be final? Who could say what the development of the next ten years would result in? He was glad to think that the Government was able to delete the words as to the application being final and unalterable. It might very well happen that in ten years' time, when the special grant of \$100,000 a year, which the Bill gave to British Columbia, came to an end, other

arrangements would have to be made—arrangements which could be arrived at by a conference between the constituent parts of the Dominion of Canada.”

Mr. H. Greenwood said:—

“The Bill, he thought, was the outcome of the Conference of the nine Provincial Premiers and of communication with Sir Wilfrid Laurier, Prime Minister of the Dominion; with the exception of the Prime Minister of British Columbia, the Conference was unanimous in passing resolutions embodied in the Bill now before the House. The Prime Minister of the Province came to England to lay his case before the Secretary of State for the Colonies. . . . These most difficult and complicated negotiations were conducted with sympathy and hearty good-will, with the result that the Under-Secretary for the Colonies had been enabled to bring the Bill before the House supported by all the Prime Ministers of the Dominion, the Bill containing one provision which left the way open for future terms to be made more satisfactory to the Prime Minister of British Columbia and the people whom he had the honour to serve.”

The Under-Secretary of State for the Colonies, Mr. Winston Churchill, said:—

“It is only recently that an agreement has been come to by all the Provincial Prime Ministers and the Dominion Government, with the exception of British Columbia, whose needs I admit frankly are different from those of the other States, and require special treatment. That special treatment was accorded to her by the agreement of the other Prime Ministers, but not in such a degree as British Columbia would have wished. The objection of British Columbia was a very simple and a common one; it was that the special payment made was satisfactory as far as it went, but that it did not go far enough; the Prime Minister of British Columbia and others thought that the words ‘final and unalterable’ should not be inserted in the Bill. It is true those words were in the address of the Dominion Parliament, but they were not inserted in the Bill by the parliamentary draughtsman on the ground that they were unusual and unsuitable in an Act of Parliament.”

Sir J. Jardine said:—

“The British Columbian Government objected strongly to the use of the words in the agreement ‘final and unalterable’; they maintained, and rightly, that there was nothing in their Province absolutely final and unalterable, so vast was the area, so vigorous the growth.”

(For these references to the debate on the second reading of the Bill amending the “British North America Act” see Parliamentary Debates, Fourth Series, Volume 176, page 748 *et seq.*)

In 1913 Sir Robert Borden, at the Conference of Provincial Premiers, after receiving the resolutions of that Conference, said:—

“Speaking for himself, he saw no objection to the Provinces coming at stated intervals—say, every ten years—to discuss and conclude any financial arrangement between Canada and the Provinces if circumstances warranted it.” (Minutes of Conference Proceedings, 1913, page 105.)

It is submitted that it is unnecessary to secure further amendment by the Imperial Government of the “British North America Act” in order to provide terms requisite to the proper and equitable treatment of British Columbia. The precedent established in making the initial adjustment in favour of Nova Scotia in 1868 shows that an increased allowance can be made by the Dominion Government without recourse to further Imperial legislation.

It is to be noted also that, following representations by Prince Edward Island, the Dominion Parliament in 1912 passed an Act which made an increase of \$100,000 a year in subsidy paid to that Province. (For discussion see *Hansard*, 1912, Volume 3, page 5859.) The Hon. Mr. White, the Finance Minister, said this was an additional subsidy not appropriated in any particular way, but simply as a lump sum as an additional grant, and came “after considering the claims so advanced on the

part of Prince Edward Island, and having regard to its financial condition and its diminishing population and the entire situation."

In 1926 the Duncan Commission was appointed, pursuant to a Minute of the Committee of the Privy Council (P.C. 505), which Commission was directed to make a very wide and sweeping investigation into the affairs of the Maritime Provinces.

It should further be noted, on the question of the finality of arrangement between the Provinces and the Federal authority, that under the agreement dealing with the retransfer of the Railway Belt and Peace River lands to British Columbia, the following clause is therein inserted:—

"The foregoing provisions in this agreement may be varied by agreement confirmed by concurrent Statutes of the Parliament of Canada and the Legislature of the Province."

This is an acceptance of the principles that, in so far as British Columbia is concerned, while in principle and in law the constitution of a Province was made a subject of the "British North America Act," the Terms of Union were essentially a treaty between British Columbia and the Dominion. "The relations of this Province and all other Provinces which came into Confederation after 1867, whatever may be said about those of the original members of the Confederation, are not in the nature of a pact among the Provinces." (Gosnell: History of Confederation.) In other words, the relationship between the Province of British Columbia and the Dominion is largely a matter between themselves.

CLAIMS.

At the beginning of this memorandum it was pointed out that the presentation of the claims of British Columbia could be classified under four major heads; i.e.:—

- (a.) That the Province has suffered, and is still suffering, from many disabilities incident to the topography of the country; the habitable area being largely restricted to the arable portions, which are more or less located in widely separated narrow valleys surrounded by precipitous mountains, and which as a consequence imposes heavier administrative costs than the other Provinces of Canada—a condition which finds no parallel in other Provinces:
- (b.) That in comparison with the other Provinces of Canada equitable treatment has not been received in the matter of Federal subsidies granted, and expenditures:
- (c.) That the entrance of the Federal Government into the field of direct taxation has worked a great hardship on the people of British Columbia:
- (d.) That on the return to the Province of the railway lands in the Peace River Block, no commission was appointed, as in the case of three other Provinces, to determine the measure of adjustment required to compensate this Province for being so long deprived of its lands.

It therefore now becomes necessary to consider these major heads, in the above order.

Dealing with (a), it is hardly necessary at this juncture to deal at any length with the matters therein set forth. It is well known that the Province of British Columbia has suffered, and is still suffering, from the geographical condition of mountains and valleys, with the consequent difficulty of government, which responsibility must largely fall upon the provincial authority; whereas in the other Provinces the Government of the largest areas thereof are controlled through municipal organizations.

Dealing with the subject-matter of heading (b), it will be convenient to divide this aspect of the matter into three sub-classifications; i.e., (1) debt allowances; (2) subsidies; (3) special grants.

It will be remembered, from what has been previously stated in this memorandum, that the proposed Terms of Union contained, *inter alia*, the following clauses:—

- (a.) Canada shall be liable for the debt and liabilities of British Columbia existing at time of Union:
- (b.) The population of British Columbia shall for the *purpose of financial arrangements* be estimated at 120,000; British Columbia, not having incurred debts equal to those of other Provinces now constituting the Dominion, shall be entitled to receive by half-yearly payments, in advance, from the General Government, interest at the rate of 5 per cent. per annum on the difference between the actual amount of its indebtedness at the date of Union and the proportion of the public debt of Canada for 120,000 of the population of Canada at the time of Union:
- (c.) The following sums shall be annually paid by Canada to British Columbia for the support of the Local Government and Legislature, to wit: An annual grant of \$35,000, and a further sum equal to 80 cents per head of the population, both payable half-yearly in advance, the population of British Columbia being estimated as aforesaid at 120,000.

Clause (a) was accepted; clauses (b) and (c) were rejected; the population both for estimating the debt, clause (b), and the *per capita* allowance, clause (c), were reduced to read 60,000.

As stated above, the salient reason for assuming a population of 120,000 (approximately three times the actual number) was the fact that, on a *per capita* basis, the Customs and Excise revenue which was being surrendered to the Dominion amounted to \$8.25 in British Columbia, as against a *per capita* of only \$2.75 accruing to the Dominion from similar sources over the whole of Canada. And as the revenue requirements, *per capita*, from this source were thus demonstrated to be three times the normal for the whole of Canada, it naturally followed that, in order to maintain the same ratio, it was necessary that the subsidy which was to replace this revenue be calculated on a population three times the actual number. In other words, the British Columbia Customs being \$330,000 was equal to \$2.75 per head on a population of 120,000, upon comparison with Canada.

British Columbia was given a debt allowance on the same basis as Nova Scotia and New Brunswick—namely, 27.77 per head of population (Terms of Union, section 2). The population assumed for British Columbia was 60,000; this gave the Province a debt allowance of \$1,666,200—27.77 by 60,000. The actual funded debt in 1871 was \$1,168,000, with floating debt \$320,000, less sinking funds \$442,380, leaving net debt \$1,045,620. The Province was, therefore, allowed interest on an estimated amount of \$620,000 at 5 per cent. per annum, being the difference between the debt allowed on *per capita* of 60,000 at 27.77 per head and the actual net debt of \$1,045,620. This gave the Province an annual interest allowance of \$31,000 a year, which continued up to July 1st, 1872. In the meantime minor differences were adjusted which gave the Province an interest adjustment allowance of \$2,289.75 up to July 8th, 1873, so that for the year 1873 the interest on debt allowance amounted to \$33,289.75. In the year 1873, by Act, 36 Vict., chap. 30, Statutes of Canada, the *per capita* of 27.77 for British Columbia, Manitoba, and Prince Edward Island was

raised to 32.43 *per capita*, which gave British Columbia an additional capital sum allowance of \$280,084. Ontario and Quebec were allowed the excess over original debt allowed in 1867, namely, \$10,506,088.84, and Nova Scotia and New Brunswick's debt allowances were increased from the *per capita* basis of 27.77 in 1867 to *per capita* basis of 32.43, similar to that of British Columbia, Prince Edward Island, and Manitoba.

In 1884 a general readjustment of debt allowances for all Provinces under authority of Dominion Statute, 47 Vict., chap. 4, 1884, was made. The effect of this legislation made retroactive the adjustments of 1873 granted to Ontario, Quebec, Nova Scotia, and New Brunswick to July 1st, 1867. From 1867 to 1873 Ontario and Quebec having been charged interest on the excess of debt it was decided to recoup these Provinces for the deductions. This gave Ontario an annual allowance for interest on debt allowance of \$142,414.48 and Quebec \$127,460.68, which they still receive. By the same Act Nova Scotia and New Brunswick's *per capita* debt allowance was increased from 32.43 in 1873 to 34.82 in 1884, increasing their annual interest allowance in the case of Nova Scotia \$30,668.44 and New Brunswick \$30,225.97. Manitoba, British Columbia, and Prince Edward Island also had their debt allowance increased to bring them up to a *per capita*—Manitoba, 34.22; Prince Edward Island, 51.68; and British Columbia, 34.11—giving them an annual increase in interest charges of \$5,541.25, \$9,148.68, and \$4,155.39 (British Columbia), respectively. The following are the only adjustments British Columbia has received on debt allowance, namely:—

Original allowance	\$1,666,200.00
1873 allowance	280,084.00
1884 allowance	83,017.00
	<hr/>
	\$2,029,391.00
Various withdrawals and liquidations amounted to.....	1,446,369.80
	<hr/>
Leaving present capital sums of.....	\$583,021.20

upon which amount the Province has received annually for fifty years \$29,151.06, representing interest at 5 per cent. per annum.

Had the proposed terms of this debt allowance been based upon 120,000 population as requested by the British Columbia delegates, upon the *per capita* of Nova Scotia and New Brunswick of 27.77 (the original basis of computation), British Columbia would have been entitled to a debt of \$3,332,400, against which must be deducted the actual debt, less sinking funds, of \$1,046,200, leaving the sum of \$2,286,200 upon which an annual interest allowance of \$114,310 instead of the \$31,000 actually received. Furthermore, if population of 120,000 instead of 60,000 had been allowed the *per capita* allowance for Government at 80 cents per head from 1871 to 1901 would have amounted to \$96,000 instead of \$48,000 received, making an additional *per capita* grant for the period of \$1,440,000. Assuming similar adjustment considerations had been given British Columbia to those of 1873 and 1884, the following would be the difference which the Provincial Assembly considered British Columbia was entitled to as terms of Confederation and which subsequent events have more than corroborated:—

	Interest on Debt Allowance actually received.	Claims under Proposed Terms at Confederation.
1871-72 (one year).....	\$31,000.00	\$114,310.00
1872-73 (one year).....	33,289.75	116,599.75
1873-74 (one year).....	47,293.95	130,603.95
1874-75 (one year).....	42,049.65	125,359.65
1875-76 (one year).....	35,247.29	118,557.29
1876-77 (one year).....	25,216.86	108,526.86
1877-78-79 (two years).....	50,187.12 (\$25,093.56)	216,807.12
1879-80 (one year).....	25,086.23	108,396.23
1880-81 (one year).....	25,019.12	108,329.12
1881-82 (one year).....	24,366.33	107,676.33
1882-83-84 (two years).....	49,991.32 (\$24,995.66)	216,611.32
1884 to 1933-34 (fifty years).....	1,457,553.00 (\$29,151.06)	5,623,053.00
	<u>\$1,846,300.62</u>	<u>\$7,094,830.62</u>
Allowance for debt received		1,846,300.62
Difference between proposed and accepted terms		\$5,248,530.00
Add difference in <i>per capita</i> allowance of 80 cents per head—		
1871-1891, difference 60,000 @ 80c.==	\$960,000	
1891-1901, difference 21,827 @ 80c.==	174,616	
		<u>1,134,616.00</u>
		<u><u>\$6,383,146.00</u></u>

Saskatchewan, with an actual population in 1901 of 91,279, was, upon entry into Confederation in 1905, allowed an assumed population of 250,000 for subsidy purposes. Alberta, with an actual population in 1901 of 73,022, was, at the same time, also allowed an assumed population of 250,000 for subsidy purposes. Manitoba, by various adjustments, has been placed on a parity with these other two Provinces.

It will be seen that these Provinces were allowed assumed populations fully three times the number actually revealed by the census, and yet this is the very proposal that was refused to British Columbia.

Actual debt allowances of Provinces on entering Confederation, together with various adjustment and special grants that followed in later years:—

		Per Capita.
Canada (Ontario and Quebec) (1867)	\$62,500,000	\$24.92
Nova Scotia (1867)	8,000,000	24.18
New Brunswick (1867)	7,000,000	27.77
Manitoba (1870)	472,090	27.77
British Columbia (1871)	1,666,200	27.77
Prince Edward Island (1873)	4,701,050	50.00
Saskatchewan (1905)	8,107,500	32.43
Alberta (1905)	8,107,500	32.43

NOVA SCOTIA GETS MORE.

Nova Scotia was dissatisfied with a debt allowance of \$24.18 per head of its population as compared with the \$27.77 allowed to its neighbour, New Brunswick, and by chapter 2 of the Dominion Statutes of 1869 Nova Scotia's debt allowance was increased to \$9,188,756, this bringing it approximately to \$27.77 per head; and on this basis Manitoba and British Columbia were treated when they came in later. Prince Edward Island's exceptionally large allowance was granted on account of its "isolated and exceptional condition." By chapter 3 of the Acts

of 1874 it got an additional \$199,490, but this was only a readjustment following the general allowance of 1873.

INCREASE IN 1873.

When Confederation had been in existence for about five years the Provinces of Ontario and Quebec evidently did not relish paying 5 per cent. interest on the \$10,000,000 excess over their proportion of the national debt whilst all the others were receiving semi-annual payments from the same account. The result was the passage in 1873 of "An Act to readjust the Amounts Payable and Chargeable against the several Provinces of Canada by the Dominion Government so far as they depend on the Debt with which they respectively entered the Union." The result of this Act was to strike off the \$10,506,088.84 excess over the original debt allowance of Ontario and Quebec. In order to equalize the position of the other Provinces it was found necessary to increase their debt allowances in the same proportion per head of their various populations. This increased the allowances for Nova Scotia and New Brunswick from \$27.77 to \$32.43 per head, and on the latter basis subsequent adjustments have been made, as when Alberta and Saskatchewan were admitted in 1905. These Provinces were given a debt allowance of \$32.43 per head each on an assumed population of 250,000. The same settlement was conferred on Manitoba by the "Boundaries Extension Act" of 1912.

INCREASE IN 1884.

Chapter 4 of the Acts of 1884 was entitled "An Act to readjust the Yearly Subsidies to be allowed by Canada to the Several Provinces now included in the Dominion." Its chief purposes appear to have been to make the increases allowed to Ontario, Quebec, Nova Scotia, and New Brunswick in 1873 retroactive to July 1st, 1867. This necessitated readjustments in the other Provinces, and section 2 provided that the debt allowance to the Provinces of British Columbia, Manitoba, and Prince Edward Island should be increased in proportion to their populations as ascertained by the census of 1881 as the total of the amounts to be added to the other four Provinces bore to their respective populations in the census of 1881.

What this increase amounted to was plainly set forth in section 3 of the Act.

	Interest Yearly Increase.	Capital.
Ontario and Quebec, jointly.....	\$269,875.16	\$5,397,503.13
Nova Scotia.....	39,668.44	793,368.71
New Brunswick.....	30,225.97	604,519.35
Manitoba.....	5,541.25	110,825.07
British Columbia.....	4,155.39	83,107.88
Prince Edward Island.....	9,148.68	182,973.78

The increase to British Columbia, Manitoba, and Prince Edward Island was dated from July 1st, 1884.

The above adjustment increased British Columbia's annual debt allowance payment from \$24,995.66 to \$29,151.06, at which figure it has stood from that day to this.

BRITISH COLUMBIA, MANITOBA, AND PRINCE EDWARD ISLAND.

These three Provinces are in a peculiar position to the rest of Canada in that they entered Confederation within a few years after the original pact of 1867. Manitoba came in in 1870, British Columbia followed in 1871, and Prince Edward

Island in 1873. These three Provinces were specifically mentioned in the readjustment Act of 1884. As we have seen, Prince Edward Island, on account of its "isolated and exceptional condition, etc.," was given a debt allowance of \$50 *per capita* of its population as opposed to \$27.77 in the case of British Columbia and Manitoba. With subsequent changes Prince Edward Island, with the smallest population in Canada, has to date been granted a debt allowance of \$4,884,023. Manitoba, starting at the Union with a debt allowance of \$472,070, had it increased by subsequent Acts, culminating with an addition of over \$4,000,000 in 1912, till to-day it stands at \$7,631,684. British Columbia's total allowance stands to-day at \$2,029,391.

Following is the *per capita* allowance for these Provinces, based on the Dominion census of 1921:—

	Debt Allowance.	Population.	Per Capita.
Manitoba.....	\$7,631,683	610,118	\$12.50
Prince Edward Island.....	4,884,023	88,615	55.11
British Columbia.....	2,029,391	524,582	3.86

The above figures do not represent the actual interest received annually by these three Provinces to-day, as original debts had to be deducted and the Provinces were also allowed to draw on the capital of their debt allowance. This was done from time to time. Manitoba was declared to have no debt on entering Confederation so it leaves her allowance intact, except for some small withdrawals. Prince Edward Island and British Columbia both had fairly heavy debts at the time of Union, so that the present standing of debt allowances on which the three Provinces draw interest is:—

	Balance of Allowance.	Annual Interest Received.	Per Capita.
Manitoba.....	\$7,631,684	\$381,584	\$0.62
Prince Edward Island.....	775,792	38,789	.43
British Columbia.....	583,021	29,151	.05

So far as debt allowance was concerned British Columbia and Manitoba entered Confederation on fairly equal terms, each with a *per capita* allowance of \$27.77, the one on an assumed population of 60,000, the other on an actual population of 17,000. There was this difference: that British Columbia had claimed the right to enter the Union with an assumed population of 120,000, on the ground that while the actual population was 40,000 the revenues were three times greater per head than those of the rest of Canada. It was considered only equitable therefore that British Columbia should receive subsidy in proportion to the revenue taken from the Province by the Dominion. In British Columbia's anxiety for railway connection a compromise of 60,000 assumed population was accepted.

Manitoba at Confederation, in addition to the allowance of \$472,090 in lieu of debt—a *per capita* equivalent of the allowance to other Provinces—was granted \$30,000 and 80 cents per head on estimated population of 17,000 in aid of local government. The Province was created in 1870 from a portion of Rupert's Land acquired from the Hudson's Bay Company on payment of £300,000 in addition to an extensive land grant; and in forming this Province the Dominion retained "all ungranted or waste lands . . . except as may be affected in the agree-

ment for the surrender of Rupert's Land by the Hudson's Bay Company." Manitoba was purely a territorial acquisition of the Dominion, and whilst as a Province it received competent local government and had grants made to it similar to other Provinces it had no jurisdiction over its lands as had the other Provinces. To the purchase price of the Hudson's Bay lands British Columbia in common with the other Provinces subsequently contributed.

In 1882 legislation was passed by the Dominion whereby the grant in aid of local government was increased from \$30,000 to \$50,000 and the *per capita* allowance was based on 150,000 people—the census population of 1881 being 62,660, and the indemnity in lieu of public lands, made at Confederation, was increased to \$45,000 a year. In 1885, as a settlement of claims made by Manitoba for better terms: (1) The swamp lands were returned to the Province; (2) the University of Manitoba was endowed with 150,000 acres for its maintenance; (3) the indemnity for want of public lands was increased from \$45,000 to \$100,000 a year; (4) the annual increase of *per capita* allowance was to be made every two and a half years; (5) the debt allowance was increased and advance of \$150,000 allowed for public buildings.

In 1912 Dominion legislation provided for: (1) Extension of boundaries of Manitoba to Hudson Bay; (2) interest on debt allowance being increased annually from \$178,947 to \$381,584, retroactive to 1908; (3) the public lands and resources were to be returned to the Dominion and in lieu the Province was to be paid, on basis of population at each quinquennial census, \$562,500, subject to certain deductions for lands retroactive, this amount to be retroactive to 1908 and to increase with increase of population—this, with interest, made an adjustment in 1912 of \$2,193,357.31; (4) allowance to assist in providing for construction of public buildings of \$201,723.57 was made, bringing total payment to Manitoba for Government buildings of \$468,750.

With the various adjustments and increases, special grants, the original subsidy of \$47,987.80 paid to Manitoba in 1870 has increased to an annual payment in 1933 of \$1,694,195.38, as against \$874,561.46 for British Columbia.

SASKATCHEWAN AND ALBERTA.

Saskatchewan and Alberta were created Provinces in 1905 and the *per capita* grant was made subject to change every two and a half years. The annual grants for Government have increased from \$50,000 per year to \$220,000 in Saskatchewan and \$190,000 in Alberta. As the Provinces were not in debt they were to receive \$405,375 per year as interest on a debt allowance; and in lieu of lands received \$562,500 a year, with additional allowance when population exceeds 800,000. They were also given allowances of \$468,750 for public buildings, payable in five years. The school lands allotted to these Provinces have provided \$10,364,483 to Saskatchewan and \$6,724,070 to Alberta.

FOUR WESTERN PROVINCES.

The four Provinces of Western Canada came into Confederation in the following order: Manitoba in 1870, British Columbia in 1871, Alberta and Saskatchewan in 1905. As previously noted, Manitoba and British Columbia started with an equal *per capita* debt allowance of \$27.77, though in Manitoba's case it was on actual population of 17,000 and in that of British Columbia on an assumed population of 60,000. Under the readjustment of 1873 (both Provinces still being dealt with on the old *per capita* basis of population), Manitoba received an increase of \$79,357 and British Columbia got \$280,084. From this time forward, however, the

positions were reversed. Under the readjustment of 1884 Manitoba received an increase of \$110,825 and British Columbia was given \$83,107. In 1885 Manitoba was given a further increase of \$2,649,642; British Columbia got nothing. In 1898 Manitoba again was given an increase of \$217,026 and British Columbia got nothing; and in 1912, on the extension of her boundaries, Manitoba received another increase of \$4,052,763; British Columbia, of course, not being considered.

Thus we have this parallel:—

	Manitoba.	British Columbia.
Allowed at Union	\$472,070	\$1,666,200.00
Added by Act of 1873	79,357	280,084.00
Added by Act of 1884	110,825	83,107.00
Added by Act of 1885	2,649,642	<i>Nil</i>
Added by Act of 1898	267,026	<i>Nil</i>
Added by Act of 1912	4,052,763	<i>Nil</i>
Total Man. debt allowance	\$7,631,683	\$2,029,391.00
Deducted for original debt and withdrawals.....		1,446,369.80

Present capital of debt allowance British Columbia..... \$583,021.20

When we turn to Alberta and Saskatchewan the matter is simple. When these Provinces were taken into Confederation in 1905, each was given a debt allowance of \$32.43 *per capita* on an assumed population of 250,000, the capital amounting to \$8,107,500 in each case. At this the *per capita* debt allowance for each of these Provinces based on the census of 1921 stands as follows:—

	Allowance.	Population.	Per Capita.
Manitoba.....	\$7,631,683	610,118	\$12.50
Saskatchewan.....	8,107,500	757,510	10.70
Alberta.....	8,107,500	688,454	13.77
British Columbia.....	2,029,391	524,582	3.86

Manitoba's increase in 1885 was granted the heading of "An Act for the *Final Settlement* of the Claims made by the Province of Manitoba on the Dominion." It added as we have seen about \$2,650,000 to the debt allowance. This final settlement was followed in 1898 by "An Act respecting the Manitoba Debt Account," which added \$267,000 more as compensation to the Province for the erection of the Legislative Buildings and Government House at Winnipeg. To this further final settlement another \$4,000,000 was added by the "Boundaries Extension Act" of 1912.

Saskatchewan and Alberta were treated liberally in 1905 and to-day draw an interest on debt allowance of over \$400,000, Manitoba would have the same but for withdrawals that bring it down to about \$380,000, whilst British Columbia received \$29,000, and even if the original debt was not subtracted she would receive only about \$100,000 in interest annually. That British Columbia receives an allowance *per capita* of about one-third of that given to the other Provinces is an anomaly that should be corrected.

TOTAL INTEREST ON DEBT ALLOWANCE.

Below are the amounts actually received in interest payments on debt allowances by the different Provinces from Confederation to March 31st, 1932 (Canada Year-book, 1933) :—

	Interest on Debt Allowance.	Per Capita, 1931.
Ontario.....	\$4,601,275	1.34
Quebec.....	4,941,871	1.72
Manitoba.....	12,587,451	17.98
Saskatchewan.....	10,945,125	11.87
Alberta.....	10,945,125	14.97
New Brunswick.....	1,344,705	3.29
Nova Scotia.....	3,077,168	6.00
British Columbia.....	1,787,999	2.58
Prince Edward Island.....	2,486,477	28.24
	<hr/> \$52,717,196	

NOTE.—Whilst the above represents total interest paid on debt allowance to the different Provinces since they entered Confederation it cannot be regarded as a criterion of the amounts of principal actually paid, since some Provinces have drawn on the debt allowance for capital expenditure, and this has reduced the interest received.

PER CAPITA ALLOWANCE.

The purpose in allowing this particular grant has already been indicated by previous references to Confederation debates, and is evidently presumed, in view of the surrender of Customs and Excise duties, to sufficiently augment the limited revenues remaining at the disposal of the Provinces to enable them to carry on such services as “the administration of justice, the support of education, grants to literary and scientific societies, hospitals and charities, and such other matters as cannot be regarded as devolving upon the General Government.”

This conception is emphasized by the statement of Sir Wilfrid Laurier in 1907, after reviewing the compromise financial arrangements of Confederation in reference to Lower Canada and the Maritime Provinces, in which he says:—

“It is not to be wondered at, that when the Provinces represented at that Conference agreed to surrender to the Central Government the exclusive right of taxation by way of Customs and Excise, they should at the same time have stipulated as a condition precedent that a certain portion sufficient to permit them, *without having recourse to direct taxation*, to carry on their Provincial affairs.” And also that the Provinces mentioned “would not have agreed to enter Confederation if, as a consequence, direct taxation had to be resorted to.”

In the case of British Columbia, owing to the insufficiency of this compensation, it was necessary at the very outset to provide other means of financing the Provincial undertakings mentioned. This Province had scarcely been in Confederation five years before direct taxes on income, personal property, real property, and wild land had to be levied in order to enable the Government to carry on, and it has been in this field of taxation ever since. Otherwise British Columbia never could have undertaken the conduct and development of these services throughout the vast expanse of its rugged and scattered territory.

It was with a full knowledge of local conditions, and with a view to making provision for the nature and extent of these requirements, that this Province stipulated a *per capita* allowance based on a population of 120,000.

The fact that this allowance is determined on the decennial basis of population, although apparently not unfavourably regarded by the Eastern Provinces, works to the serious disadvantage of British Columbia. With the advent of the railway the population increased to an abnormal extent, yet this was not reflected in the subsidy for several years. To illustrate the point, in 1911 the decennial census fixed the population, upon which the subsidy for the ensuing ten years was based, at 391,000. In 1914 a conservative estimate showed it to be approximately 450,000, while the census in 1921 disclosed the actual population as 524,000. Yet, for subsidy purposes, the population over this whole ten-year period was presumed to be only 391,000. The loss thus sustained by the Province is, therefore, quite evident, since the heavy expenses occasioned by the incoming population was necessarily incurred many years in advance of the increase in the *per capita* grant.

It will readily be conceded that the Western Provinces have shown, and will continue to show, a more rapid proportionate increase in population than the Eastern Provinces. For instance, in the last forty-five years the population over the whole of Canada has increased 103.21 per cent., whereas in British Columbia the corresponding increase has been 960.64 per cent. In the case of Manitoba, Saskatchewan, and Alberta, this factor was recognized in the arrangement for determining the *per capita* grant, whereby an actual census is taken every five years, upon which an estimated census is based every two and a half years, and the allowance is readjusted accordingly. Some idea of the extent to which British Columbia has suffered by reason of this obvious inequality will be gathered from the following statement:—

ALLOWANCE PER HEAD OF POPULATION, ACTUAL RECEIPTS.

	No. of Years.	Annual Rate.	Amount.
1871-72 to 1890-91.....	20	\$48,000.00	\$960,000.00
1891-92 to 1900-01.....	10	78,538.40	785,384.00
1901-02 to 1910-11.....	10	142,925.60	1,429,256.00
1911-12 to 1920-21.....	10	313,984.00	3,139,840.00
1921-22 to 1930-31.....	10	419,665.60	4,196,656.00
1931-32 to 1932-34.....	3	555,410.40	1,666,231.20
Total.....			\$12,177,367.20

IF PAYMENT HAD BEEN RECEIVED ON BASIS OF OTHER
WESTERN PROVINCES.

1871-72 to 1890-91.....	20	\$48,000.00	\$960,000.00
1890-91.....	2½	78,588.00	196,345.00
to 1895-96.....	2½	94,635.00	236,587.00
1895-96.....	2½	110,731.60	276,728.00
to 1900-01.....	2½	126,828.40	317,071.00
1900-01.....	2½	142,925.60	357,314.00
to 1905-06.....	2½	185,690.00	464,225.00
1905-06.....	2½	228,452.00	571,130.00
to 1910-11.....	2½	271,219.00	678,047.50
1910-11.....	2½	313,984.00	784,960.00
to 1915-16.....	2½	340,404.00	851,010.00
1915-16.....	2½	366,824.00	917,060.00
to 1920-21.....	2½	393,245.00	983,112.50
1920-21.....	2½	419,665.60	1,049,164.00
to 1925-26.....	2½	453,601.80	1,134,004.50
1925-26.....	2½	487,538.00	1,218,845.00
to 1930-31.....	2½	521,474.20	1,303,685.50
1930-31.....	2½	555,410.40	1,388,526.00
to 1933-34.....	2½	589,346.60	294,673.30
Total.....			\$13,982,488.30
On basis of Western Provinces		\$13,982,488.30	
Actually received		12,177,367.20	
			\$1,805,121.10

British Columbia, therefore, claims that the basis of arriving at her *per capita* allowance should be the same as is in effect in the case of the three Prairie Provinces, and that, having regard to the many disadvantages under which this Province has laboured in the past, the readjustment should be made effective as from 1891.

SPECIAL GRANTS TO PROVINCES.

Not only in debt allowance, but in special grants to Provinces, British Columbia has suffered in comparison with the others, as the following figures, based on the 1931 census, show:—

	Special Grants.	Per Capita.
Prince Edward Island.....	\$6,368,501	\$72.33
Nova Scotia.....	6,076,980	11.85
New Brunswick.....	13,230,000	32.41
Manitoba.....	19,331,732	27.61
Saskatchewan.....	16,281,250	17.66
Alberta.....	14,531,250	19.86
British Columbia.....	7,200,000	10.37

A statement of the total allowances which have been received by the several Provinces will be of interest, and from which it will be noted that, with the sole exception of Prince Edward Island, British Columbia foots the list. This notwithstanding the fact that, in territorial extent, British Columbia is over seven times greater than the three Maritime Provinces combined, and that internal communication and cost of administration due to the mountainous character of the country is relatively still greater. Therefore any suggestion that the subsidy given to British Columbia is proportionate to that given the other Provinces would be preposterous.

**TOTAL OF SUBSIDY ALLOWANCES OF THE DOMINION FROM
JULY 1ST, 1867, TO MARCH 31ST, 1933.**

Province.	Allowance, for Government.	Allowance per Head of Population.	Special Grants.* † ‡	Interest on Debt Allowance.	Total.
Prince Edward Island.....	\$3,620,000	\$5,138,178	\$6,368,501	\$2,525,266	\$17,651,945
Nova Scotia.....	7,340,000	22,901,732	6,076,980	3,129,939	39,448,651
New Brunswick.....	6,700,000	17,451,500	13,230,000	1,371,169	38,752,669
Quebec.....	9,040,000	80,206,979		5,069,330	94,316,309
Ontario.....	9,440,000	99,519,977		4,743,689	113,703,666
Manitoba.....	6,545,000	16,177,329	19,331,732	12,969,035	55,023,096
Saskatchewan.....	5,276,666	14,550,099	16,281,250	11,350,500	47,458,515
Alberta.....	4,966,666	11,346,200	14,531,250	11,350,500	42,194,616
British Columbia.....	5,940,000	11,621,956	7,200,000	1,817,149	26,579,105
Totals.....	\$58,868,332	\$278,913,950	\$83,019,713	\$54,326,577	\$475,128,572

* Includes compensation for lands and allowances for buildings.

† Includes grants to the Maritime Provinces pending consideration of Provincial subsidies, beginning with the fiscal year ended March 31st, 1928.

‡ Includes for 1930-31 readjustment of subsidy, 1870-1908, \$4,822,842.72, Province of Manitoba.

|| Includes allowances in lieu of debt.

It should be mentioned that, inasmuch as the discrepancy in the *per capita* allowance was not provided for in the adjustment of 1907, the relative position of this Province in respect of subsidies remains unaltered.

Percentage of British Columbia's total subsidy allowances to that of:—

Prince Edward Island	150.58
Nova Scotia	67.38
New Brunswick	68.59
Quebec	28.18
Ontario	23.38
Manitoba	48.31
Saskatchewan	56.00
Alberta	62.08

SCHOOL LANDS.

The following statement shows the total cash payments by the Dominion to the three Prairie Provinces on account of school lands, as well as Dominion of Canada 5-per-cent. debentures constituting the School Land Fund transferred to the respective Provincial Treasurers:—

	Total Cash Payment.	Debentures transferred.	Total.
Manitoba.....	\$7,349,912.69	\$5,919,862.65	\$13,269,775.34
Saskatchewan.....	16,474,887.24	17,809,039.00	34,283,926.24
Alberta.....	10,607,280.52	9,564,569.20	20,171,849.72

Although these subsidies were to replace the surrender of customs and excise, the comparison shows that British Columbia's contribution for the five years 1926-27 to 1930-31 alone by way of customs taxes amounted to \$77,296,945
 Customs duties amounted to 8,168,529
 Excise taxes amounted to 22,202,487

Total \$107,667,961
 Whereas subsidies to the Province yielded a meagre total of 3,694,082

An excess in favour of the Dominion of \$103,973,879

DIRECT TAXATION.

Dealing with (c); i.e., that the entrance of the Federal Government into the field of direct taxation has worked a great hardship on the people of British Columbia: In recent years the Dominion has to an increasing extent invaded the provincial field of direct taxation. The result has been that a large body of taxpayers of the Provinces are made subject to both Dominion and Provincial income tax. Sir Thomas White, introducing the income-tax measures in the House of Commons, conceded it would not have been introduced other than as a war measure. He then said:—

“The Dominion Government under the provisions of the North America Act is empowered to raise revenue by any mode or form of taxation, whether direct or indirect; on the contrary, the Provinces, and by consequence the municipalities which derive their taxation power from the Provinces, are confined in the raising of revenues to the measures of direct taxation. For this reason, since the outbreak of the war, I have hesitated to bring down a measure of Federal income taxation, and I have not regarded it as expedient, except in case of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the Provinces are solely confined for the raising of their revenue.”

It is obvious from the above that the Dominion Government was well aware it was invading the provincial field of taxation in enacting the legislation which gives the Federal authorities the right to impose an income tax. Sir Thomas White, when introducing the measure, placed no time-limit upon it, but suggested that in a year or two after the war it should be deliberately reviewed with the idea of judging whether it were suitable to the conditions which would then prevail. However, the Government has not since retired from this field, or shown any indication that it will so do; nor has it materially reduced the impost. Claims have been made on behalf of the Provinces for an assignment of a portion of this revenue to the Provinces for provincial purposes. At the Conference of Dominion and Provincial Governments at Ottawa in 1918 a submission to that effect was made, which stated, *inter alia*, as follows:—

“The Provincial representatives recognize that at such a time as the present it would not be wise to press the Dominion Government for immediate action on the several claims and expectations herein referred to. Without waiving any rights they have for the consideration of such matters at a more opportune moment, the Provincial representatives respectfully suggest that since the income tax has been adopted by the Dominion Government as a war measure, it would be reasonable, in view of the circumstances, that the Dominion should not leave to the Provinces the duty of imposing new taxation of a similar character, but that the Dominion tax should be treated as one for both Dominion and Provincial purposes; and that a portion of the proceeds of the tax, say 50 per cent., should be assigned by the Dominion to the Provinces on a *per capita* basis, to assist the Provinces in meeting their pressing obligations of the time; this arrangement to continue during the war and for at least after the declaration of peace, and that then the whole question of the readjustment of the provincial allowances be taken up for consideration.”

In November, 1924, at the Provincial Treasurers' Conference held at Ottawa, further claims were made on the part of the Provinces to the Dominion for allocation of a portion of the Dominion income tax to the Provinces.

For the five-year period 1926-27 to 1930-1, the Dominion has collected in the Province of British Columbia from its income-tax assessments the sum of approximately \$23,000,000. The recent tax on gold is another illustration of the manner in which the Federal authority has invaded the provincial field of direct taxation.

It is submitted that the time is now opportune for a reconsideration of this method of taxation, as the position of the Provinces is such that this invasion of their taxing-field limits their revenue from this branch of taxation. The Govern-

ment of the Province of British Columbia fully realizes the financial difficulties facing the Dominion of Canada, and while not receding from the position taken herein in respect to income tax, while not expecting an allocation of a proportion thereof, does submit that the action of the Federal taxing authority in this regard should be taken into consideration in relation to the other claims advanced herein.

RE RAILWAY BELT AND PEACE RIVER LAND.

The finding of the Martin Commission has already been referred to in this memorandum. When Manitoba, Alberta, and Saskatchewan were formed the Dominion retained their public lands; and on return of these to the Provinces in 1931 appointed commissions to determine the measure of adjustment required "to compensate them for being deprived of the administration and control of their public lands and place them in equality with other Provinces." These commissions determined that substantial retroactive readjustments were required to compensate those Provinces for being long deprived of their lands, and for alienations made, dating back to 1870 in the case of Manitoba, and to 1905 in respect of the two other Provinces.

The retroactive adjustment made to Manitoba brought additional annual subsidies of \$60,000 for eleven years from 1870, \$187,500 for twenty years, and \$375,000 for seven years at 1908; thereafter \$562,500 a year, increasing to \$750,000 with a population of 800,000, and \$1,250,000 with a population of 1,200,000. This retroactive adjustment brought in a lump sum to the Province of Manitoba of over four and a half million dollars in 1931.

Alberta and Saskatchewan were awarded \$468,759 yearly from 1905 to 1912; thereafter \$562,500, with like provision for increases as in the case of Manitoba. Saskatchewan, having passed the 800,000 mark, receives \$750,000 a year. Alberta accepted the award. Saskatchewan contended it should be retroactive since 1870. The Supreme Court of Canada ruled that Canada was not obligated to account for lands alienated before the Provinces were formed in 1905, and this decision was confirmed by the Privy Council on the ground that Saskatchewan could not claim for something which happened before its existence.

When the Railway Belt and Peace River Block were restored to British Columbia under the award of the Martin Commission, this Commission was not authorized, as in the case of the three other Provinces, to determine the measure of adjustment required to compensate them for being long deprived of their lands and bring equality with other Provinces. True, the annual grant of \$100,000 a year in lieu of lands was continued; but so also were the grants in lieu of lands to the other Western Provinces, and in addition thereto substantial retroactive adjustments were made, as hereinbefore pointed out.

Being contiguous to the railway, naturally the Railway Belt held a large proportion of British Columbia's population; and though the Dominion had collected revenues exceeding \$6,500,000 from this area, the Province had made heavy expenditures to open and develop it. Roads and bridges alone cost over \$24,000,000. In addition, another situation confronts this Province, by reason of the recent decision of the Supreme Court of Canada in the Timber Refunds Case. The effect of this judgment is to place an added burden upon this Province with respect to timber dues collected and retained by the Dominion from this area, but now stated to be the obligation and responsibility of the Province in the refunding thereof to settlers who became entitled thereto on compliance with the condition precedent as set out in their contracts.

If it was incumbent upon the Dominion to make the adjustments to the three other Provinces on account of the retention of their lands for the long periods

involved, it is also incumbent upon it in justice and in equity to make similar adjustments to British Columbia.

To sum up the matter, then, it may be shortly stated that the Province of British Columbia has not been dealt with in a measure of parity in comparison with the treatment accorded to the other Provinces by the Dominion. And, in addition thereto, British Columbia, it is submitted, has not received that special consideration to which her geographical features plainly indicate she is entitled.

All of which is respectfully submitted.

TERMS OF UNION.

1. Canada shall be liable for the debts and liabilities of British Columbia existing at the time of the Union.

2. British Columbia, not having incurred debts equal to those of the other Provinces now constituting the Dominion, shall be entitled to receive, by half-yearly payments in advance, from the General Government, interest at the rate of five per cent. per annum on the difference between the actual amount of its indebtedness at the date of the Union and the indebtedness per head of the population of Nova Scotia and New Brunswick (27.77 dollars), the population of British Columbia being taken at 60,000.

3. The following sums shall be paid by Canada to British Columbia for the support of its Government and Legislature, to wit, an annual subsidy of 35,000 dollars, and an annual grant equal to 80 cents per head of the said population of 60,000, both half-yearly in advance; such grant of 80 cents per head to be augmented in proportion to the increase in population, as may be shown by each subsequent decennial census, until the population amounts to 400,000, at which rate such grant shall thereafter remain, it being understood that the first census be taken in the year 1881.

4. The Dominion will provide an efficient mail service, fortnightly, by steam communication, between Victoria and San Francisco, and twice a week between Victoria and Olympia; the vessels to be adapted for the conveyance of freight and passengers.

5. Canada will assume and defray the charges for the following services:—

A. Salary of the Lieutenant-Governor;

B. Salaries and allowances of the Judges of the Superior Courts and the County or District Courts;

C. The charges in respect to the Department of Customs;

D. The Postal and Telegraphic Services;

E. Protection and encouragement of fisheries;

F. Provision for the Militia;

G. Lighthouses, buoys, and beacons, shipwrecked crews, quarantine and marine hospitals, including a marine hospital at Victoria;

H. The Geological Survey;

I. The Penitentiary.

And such further charges as may be incident to and connected with the services which, by the "British North America Act, 1867," appertain to the General Government, and as are or may be allowed to the other Provinces.

6. Suitable pensions, such as shall be approved of by Her Majesty's Government, shall be provided by the Government of the Dominion for those of Her Majesty's servants in the Colony whose position and emoluments derived therefrom would be affected by political changes on the admission of British Columbia into the Dominion of Canada.

7. It is agreed that the existing Customs tariff and excise duties shall continue in force in British Columbia until the railway from the Pacific Coast and the system of railways in Canada are connected, unless the Legislature of British Columbia should sooner decide to accept the tariff and excise laws of Canada. When Customs and excise duties are, at the time of the union of British Columbia with Canada, leviable on any goods, wares, or merchandises in British Columbia, or in the other Provinces of the Dominion, those goods, wares, and merchandises may, from and after the Union, be imported into British Columbia from the Provinces now composing the Dominion, or into either of those Provinces from British Columbia, on proof of payment of the Customs or excise duties leviable thereon in the Province of exportation, and on payment of such further amount (if any) of Customs or excise duties as are leviable thereon in the Province of importation. This arrangement to have no force or effect after the assimilation of the tariff and excise duties of British Columbia with those of the Dominion.

8. British Columbia shall be entitled to be represented in the Senate by three members, and by six members in the House of Commons. The representation to be increased under the provisions of the "British North America Act, 1867."

9. The influence of the Dominion Government will be used to secure the continued maintenance of the Naval Station at Esquimalt.

10. The provisions of the "British North America Act, 1867," shall (except those parts thereof which are in terms made, or by reasonable intendment may be held to be specially applicable to and only affect one and not the whole of the Provinces now comprising the

Dominion, and except so far as the same may be varied by this Minute) be applicable to British Columbia, in the same way and to the like extent as they apply to the other Provinces of the Dominion, and as if the Colony of British Columbia had been one of the Provinces originally united by the said Act.

11. The Government of the Dominion undertakes to secure the commencement simultaneously, within two years from the date of the Union, of the construction of a railway from the Pacific towards the Rocky Mountains, and from such point as may be selected, east of the Rocky Mountains, towards the Pacific, to connect the seaboard of British Columbia with the railway system of Canada; and, further, to secure the completion of such railway within ten years from the date of the Union.

And the Government of British Columbia agree to convey to the Dominion Government, in trust, to be appropriated in such manner as the Dominion Government may deem advisable in the furtherance of the construction of the said railway, a similar extent of public lands along the line of railway, throughout its entire length in British Columbia, not to exceed, however, twenty (20) miles on each side of said line, as may be appropriated for the same purpose by the Dominion Government from the public lands of the North-west Territories and the Province of Manitoba: Provided that the quantity of land which may be held under pre-emption right or by Crown grant within the limits of the tract of land in British Columbia to be so conveyed to the Dominion Government shall be made good to the Dominion from contiguous public lands; and provided further that until the commencement, within two years, as aforesaid, from the date of the Union, of the construction of the said railway, the Government of British Columbia shall not sell or alienate any further portions of the public lands of British Columbia in any other way than under right of pre-emption, requiring actual residence of the pre-emptor on the land claimed by him. In consideration of the land to be so conveyed in aid of the construction of the said railway, the Dominion Government agree to pay to British Columbia, from the date of the Union, the sum of 100,000 dollars per annum, in half-yearly payments in advance.

12. The Dominion Government shall guarantee the interest for ten years from the date of the completion of the works, at the rate of five per centum per annum, on such sum, not exceeding £100,000 sterling, as may be required for the construction of a first-class graving-dock at Esquimalt.

13. The charge of the Indians, and the trusteeship and management of the lands reserved for their use and benefit, shall be assumed by the Dominion Government, and a policy as liberal as that hitherto pursued by the British Columbia Government shall be continued by the Dominion Government after the Union.

To carry out such policy, tracts of land of such extent as it has hitherto been the practice of the British Columbia Government to appropriate for that purpose shall from time to time be conveyed by the Local Government to the Dominion Government in trust for the use and benefit of the Indians, on application of the Dominion Government; and in case of disagreement between the two Governments respecting the quantity of such tracts of land to be so granted, the matter shall be referred for the decision of the Secretary of State for the Colonies.

14. The constitution of the executive authority and of the Legislature of British Columbia shall, subject to the provisions of the "British North America Act, 1867," continue as existing at the time of the Union until altered under the authority of the said Act, it being at the same time understood that the Government of the Dominion will readily consent to the introduction of Responsible Government when desired by the inhabitants of British Columbia, and it being likewise understood that it is the intention of the Governor of British Columbia, under the authority of the Secretary of State for the Colonies, to amend the existing constitution of the Legislature by providing that a majority of its members shall be elective.

The Union shall take effect according to the foregoing terms and conditions on such day as Her Majesty, by and with the advice of Her Most Honourable Privy Council, may appoint (on Addresses from the Legislature of the Colony of British Columbia and of the Houses of Parliament of Canada, in the terms of section 146 of the "British North America Act, 1867"), and British Columbia may in its Address specify the electoral districts for which the first election of members to serve in the House of Commons shall take place.

